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29 May 1959

This section contains basic information [redacted]

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[redacted] of the Ministry of Construction [redacted]

[redacted] the State Economic Planning Commission and [redacted] the Construction

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Bureau at Ministers Council Office [redacted]

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Text:

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[ ]  
Subject: The Polish Construction Industry. [ ]

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The relation of Construction Industry to the national economy.

1. The share of investment outlays for own needs of construction industry in relation to the total investment in the entire national economy.

The basic task of the construction industry in Poland is the realization of State Investment Plan, as it pertains to construction-assembly works in investments.

For the implementation of this task a net of state construction-assembly enterprises was created. They receive annually some financial and material means for their own use for machinery, equipment, necessary buildings, stores (depots) and auxiliary production plants.

These investment outlays allocated by the State for own-needs of state construction-assembly enterprises were commonly called "own investments of the construction industry" (Inwestycje własne budownictwa) and in official language and statistics, "investment outlays <sup>for</sup> ~~for~~ the construction industry" (Nakłady inwestycyjne na budownictwo).

The amount of these investment outlays for construction industry is shown in Polish statistical yearbooks in various prices. The small Statistical Yearbook 1958 gives the percentage of investment outlays for the entire national economy allocated for the construction industry as follows:

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1956	4.1%
1957	4.1%
1950-1955	3.3%

The figure given for the period of the Six Year Plan, i.e. for the years 1950-1955, 3.3% can be accepted  without any reservation whatever; however, the figure 4.1% for the years 1956 and 1957 is not correct and is too high.

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the allocations for own investments of the construction industry were not increased at all as a percentage of total investment, but were maintained on the level of about 3.3%, as in the period of Six Year Plan. The difference between 3.3% and 4.1% is the consequence of accounting methods, because beginning in 1955 they started to include in statistics and also in planning, for the own investments of the construction industry some funds which were allocated for temporary installations on the building site, so called "temporary bases" (Zaplecze prowizoryczne). These sums did not belong to the category of outlays for permanent equipment of construction enterprises and did not qualify as means for investments of the construction industry.

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Instead, these were payments by individual investors to the construction enterprise according to estimates for the arrangement and preparation of building sites (fences, barracks for workers, field office, stores, bringing machinery and construction equipment etc.) These costs for preparation of building sites, depending on types of construction project,

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averaged from 2% to 7% of construction-assembly work costs and were included in a special part of the estimate called 'third part of the estimate'.

In 1955 the State Economic Planning Commission made the following manipulation:

The sums specified in part three of estimates were excluded from all estimates which serve for the Investment Bank as basis for financing the expenditure of investors and were integrated in one common pool for the disposition of the State Economic Planning Commission.  this sum amounted to about 1.100.000.000 zlotys in 1955 prices for the year 1955. The State Economic Planning Commission freed the investors from their obligation to pay the construction enterprises the sums included in the third part of the estimates. It told the Ministry of Construction and other ministries who supervised the state construction enterprises that it would transfer to them all sums due from the third part of estimates in a lump sum and the ministries were to distribute this sum between enterprises subordinate to them according to their judgment. The Ministry of Construction and other ministries such as Ministry of Railways, Ministry of Road and Air Transportation, agreed to this manipulation for the following reasons:

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According to the old method each construction (project) received a sum of about 2% to 7% of total project costs, depending on the location of construction and the type of work, which was used for provisional arrangement and for preparation of the building site, e.g., for construction of a hotel barrack for brought in workers, for a field concrete plant, etc. It was obvious that the management of construction projects could build only small, provisional and non-economic installations (establishments) for these limited sums.

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By integration of these funds for several construction works it would be possible to construct in one town where several construction projects were to be built:

- one common workers settlement - barracks hotel
- one central station or plant producing concrete, etc., and serving several construction works.

It was expected that in this way it would be possible to avoid spread out, uneconomical, small provisional installations for building sites, and obtain instead a smaller number of permanent or semi-permanent depots or storage, repair, and maintenance workshops, transportation pools, concrete and prefabricated elements plants, ~~etc.~~<sup>etc.</sup>, and what was most important that they would work more economically and increase the real assets of the construction-assembly enterprises.

This idea, however right, failed in practice for the following reasons:

The State Economic Planning Commission, after confiscating the above mentioned 1.100 million zlotys in 1955, distributed among the Ministry of Construction and other ministries barely half this sum and used the rest for other purposes (as it was commonly said at this time, defrauded the economy). The Ministry of Industrial Construction and the Ministry of City and Settlement Construction received then, only 420-430 millions on this account. This sum was added to the normal, usual~~/~~ allocation which these ministries received every year for their own investments. Thus the nominal sum for own investments of the construction industry jumped very high in 1955 in relation to 1954, but in reality the standard of own investment did not increase because this addition had to be distributed among the construction enterprises so that they

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could prepare their building sites.

If the State Economic Planning Commission had distributed the whole amount, 1.100 million zlotys, among the construction ministries they could have made proper use of it and could have used a part of this sum for permanent investments and distributed the rest among construction enterprises for provisional preparation of building sites. Nothing was left, however, from this additional allocation for permanent installations because the State Economic Planning Commission retained half for itself.

As a ~~final~~ result of this manipulation, the ministries of construction gained nothing and the investors were also discontent. Only the State Economic Planning Commission made a gain for some time i.e., from 1955-1957. But in 1957, the State Economic Planning Commission yielded after a long struggle and it was decided that beginning 1 January 1958 the old system would again come into force; payment of sums included in the third part of the estimate for the preparation and equipment of building site would be made directly by the investor to the construction enterprise. For this reason the nominal investment outlays for construction industry during 1955-1957 can not be compared with the outlays in the years 1950-1954 and 1958-1959.

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analysis  to eliminate this discrepancy and to obtain some kind of comparable figures:

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Table 1

The investment outlays for construction industry amounted in the years 1950-1955, according to Statistical Yearbook 1956 page 202, in million zlotys, 1955 prices:

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1950	680
1951	837
1952	805
1953	1057
1954	1082
1955	1516

Total 1950-1955	<u>5977</u> million zlotys
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Here in 1955, one can see a distinct jump represented by about 420-430 millions included in the sum of 1,516 millions zlotys, but this should not be considered own investments because the money was used for provisional preparation and equipment of building sites.

Further the same statistical yearbook on the same page, gives the following figures:

Table 2

The percentage share of investment outlays for construction industry in relation to central investments (Inwestycje limitowe) in the national Polish economy:

1950	3.5%
1951	3.6%
1952	2.9%
1953	3.2%
1954	3.2%
1955	4.4%

For the period 1950-55	
Total	<u>3.5%</u>

However in later years the State Economic Planning Commission changed the definition of central investments and for this reason it is necessary to calculate the percentage share in relation <sup>to</sup> ~~tot~~ total investments in the entire national economy.

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The Statistical Yearbook 1956 gives the total investments (which includes private investment) for the years 1954 and 1955 only, so the Source was able to make calculations for these two years.

Table 3

The share of investment outlays for construction industry in relation to the total investment outlays in 1955 prices in million zlotys:

	<u>1954</u>	<u>1955</u>
a) investment outlays in the entire national economy	36,797	37,602
b) investment outlays for construction industry itself	1,082	1,516
c) nominal (based on official statistics) percentage share b:a as calculated by the Source	2.9% <sup>s</sup>	4.1% <sup>s</sup>

For the years preceding 1950-1954 only central investments are given. They

amount  to from 98% to 96% of investment

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outlays in the socialized economy.  private

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investments in 1950 amounted to about ~~8.7%~~ <sup>6%</sup> declined up to 1953 to 5% of the total investments in the entire national economy.  the percent

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share of investment outlays for construction industry in relation to the investment outlays in the entire national economy amounted to the following, (compared page 5 Table 2):

1950	0.98 x 0.92 x 3.5 -	=	3.2% <sup>s</sup>
1951	0.97 x 0.93 x 3.6	=	3.2% <sup>s</sup>
1952	0.97 x 0.93 x 2.9	=	2.7% <sup>s</sup>
1953	0.96 x 0.95 x 3.2	=	2.9% <sup>s</sup>
1954	see above Table 3 c	=	2.9% <sup>s</sup>
1955	" " " "	=	4.1% <sup>s</sup>
<u>1950-1955</u>	on average		<u>3.2%<sup>s</sup></u>

s = figure  does not appear in Statistical yearbooks.

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The year 1955 requires special studies because the Statistical Yearbook 1957 gives on page 180:

"The investment outlays in the entire national economy" higher than the Statistical Yearbook 1956 which of course changes the percentage share of outlays for the construction industry in relation to the total investment outlays as is shown in Table 5.

Investment outlays in 1955 prices in million zlotys:

	According 1956 Yearbook version I	According 1957 Yearbook version II
a) for the entire national economy	37,602	39,041
b) for construction industry	1,516	1,516
c) percentage b:a	4.1%	3.9%

The difference between version I and II arose from the fact that the private investments were higher by 1,715 million zlotys than was originally supposed. Instead of 1,660 according to version I, they amounted to 3,375 million zlotys. Further, in the Statistical Yearbook 1957, the socialized investments were reduced by 276 million zlotys without any explanation.

As a result of this the II version reads:

$37,602 + 1,715 - 276 = 39,041$  million zlotys;

Conclusion: Version II should be regarded as more reasonable. The year 1955 and the period 1950-1955 were given in Statistical Yearbook 1957 on page 180 and in Small Statistical Yearbook 1958 page 61, also in 1956 prices.

Table 6

The investment outlays in 1955 and during 1950-1955 amounted in million zlotys in 1956 prices.

	1955	1950-1955
a) outlays in the entire national economy	50,119	245,435
b) outlays for the construction industry itself	2,057	8,130
c) the percentage share b:a	4.1%	3.3%

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The change of prices influenced to some extent the percentage relation as is seen from a comparison of Tables 4, 5, and 6.

Table 7

Outlays for construction industry itself as a percentage share of investment outlays in the entire national economy in 1955 and during the period 1950-1955:

	<u>1955</u>	<u>1950-1955</u>
a) according to 1955 prices	3.9	3.2
b) according to 1956 prices	4.1	3.3

The figures in 1956 prices may be accepted and may be regarded as comparable prices for the entire 1950-1957.

## III

The year 1956 and 1957 according to Small Statistical Yearbook page 61.

Table 8

The investment outlays in 1956 and 1957 amounted in prices 1956

	<u>1956</u>	<u>1957</u>
a) investment outlays in the entire national economy	51,686	54,099
b) investment outlays for construction industry itself	2,127	2,247
c) the percentage share b:a	4.1%	4.1%

From the preceding tables investment outlays are given:

Year 1950	in	1955 prices	-----
1951	"	"	-----
1952	"	"	-----
1953	"	"	-----
1954	"	"	-----
1955	"	"	-----
1950-1955	"	"	and in 1956 prices
1956	-----	"	"
1957	-----	"	"

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In order to put all outlays in comparable prices - 1956 prices - it is necessary to recalculate the investment outlays for the period 1950-1954. The average multiplier of prices for the investment outlays for the construction industry itself for the period 1950-1954 is 1.36.

Table 9

the investment outlays for the construction industry itself amounted, in the period 1950-1957, in 1956 prices:

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<u>Year</u>	<u>Million zlotys</u>	<u>The percentage share in relation to total investment outlays in the entire national economy</u>
1950	925 <sup>s</sup>	3.2
1951	1,140 <sup>s</sup>	3.2
1952	1,100 <sup>s</sup>	2.7
1953	1,438 <sup>s</sup>	2.9
1954	1,470 <sup>s</sup>	2.9
1955	2,057	4.1
1956	2,127	4.1
1957	2,247	4.1
Total	12,504 <sup>s</sup>	

The total investment outlays in the entire national economy for the year 1950-1957 amounted in million zlotys to 351,220:

the average percent for the period 1950-1957	3.5 <sup>s</sup>
the average percent for the period 1950-1955	3.3

No doubt the jump from 2.9% in 1954 to 4.1% in the years 1955, 1956 and 1957 was caused by the change in method of calculation and not by the real increase of investment outlays for construction industry itself.

In the Statistical Bulletin no 8, 1958, page 20, a correction was introduced which reduced total outlays by the sum of 542 million zlotys in 1957 prices which were originally allocated for temporary bases (Prowizoryczne zaplecze).

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Table 10

The investment outlays in 1957 amounted in million zlotys:

		<u>1956 prices</u>	<u>1957 prices</u>
a)	investment outlays in entire national economy	54,099	59,509 <sup>s</sup>
b)	" " in socialized economy	48,118 <sup>s</sup>	53,383
c)	" " for construction industry itself	2,247	2,531 <sup>s*</sup>
d)	" " for construction industry itself without outlays for temporary bases	1,780 <sup>s</sup>	1,989
e)	percentage share c: a re. official statistics	4.1	4.2 <sup>s</sup>
f)	" " d: a re. <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>	3.3 <sup>s</sup>	3.3 <sup>s</sup>

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\* The Statistical Bulletin No 5 gives on page 18 the approximate figure of 2,400 million zlotys which is however inconsistent with the explanations contained in Statistical Bulletin No 8 and for this reason was not taken into account by the Source.

After deduction of outlays for temporary installations of 542 million zlotys in prices of 1957, which is equivalent to 480 millions zlotys in 1956 prices, it is clearly visible that the percentage share drops from 4.1% to 3.3% in 1957. In the same way, the nominal percentage share of 4.1% in 1956 should be reduced to 3.3%, deducting 440 million zlotys (in 1956 prices) for the temporary bases.

The pure own-investments of the construction industry thus amount in 1956 to 1,687 million zlotys which represents 3.3% of total investment outlays in the entire national economy.

In 1955, 420 million zlotys in 1956 prices should be deducted for temporary bases and, thus the pure own investments for the construction industry amount to 1,637 millions, and the percentage share to 3.3%.

The Table 9 from page 9 will therefore change as follows:

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Table 11

The corrected percentage share of outlays for own investments of the construction industry in relation to the investment outlays in the entire national economy -- in 1956 prices, million zlotys.

Year	Investment outlays in the entire national economy	Nominal investment outlays for construction ind.	Temporary bases	Pure investments for the construction industry itself	4:1 Percent
	1	2	3	4	5
1950		925 <sup>s</sup>		?	3.2
1951		1.140 <sup>s</sup>		?	3.2
1952		1.100 <sup>s</sup>		?	2.7
1953		1.438 <sup>s</sup>		?	2.9
Period					
1950-1954	195.316			6.073	3.1
1955	50.119	2.057	420 <sup>s</sup>	1.637 <sup>s</sup>	3.3
1956	51.686	2.127	440 <sup>s</sup>	1.687 <sup>s</sup>	3.3
1957	54.099	2.247	480 <sup>s</sup>	1.767 <sup>s</sup>	3.3
Total					
1950-1957	351.220	12.504	1.340	11.164	3.2

Conclusion: The investment outlays for the construction industry itself were growing in figures in 1956 prices from 925 million zlotys in 1950 to 1,767 millions in 1957, remaining however, in the same relation to total investment outlays in the entire national economy on an medium level of 3.2% with slight variation in the period 1950 - 1954 on average 3.1% in the period 1955 - 1957 on average 3.3%.

The 3.3% should be expected for the future.

Table 12. Investment outlays for construction industry in the years 1950-1957

No.	Year	Price investments in entire national economy		Investments in private economy total			Investments in socialized economy Total			Investment outlays for the construction industry itself	
		million r.	million r.	million r.	from this for housing construction	million r.	million r.	from this for construction	million r.	Pure own investment	million r.
1	2	3	4	5	6	7	8	9	10	11	12
13	1949	1735	14.142	2852	17.6	13329					
14	1950									680	3.2 <sup>a</sup>
15	1951									837	3.2 <sup>a</sup>
16	1952									805	2.7 <sup>a</sup>
17	1953									1037	2.8 <sup>a</sup>
18	1954		35.797	100	1680	1.6			37117	1082	2.8 <sup>a</sup>
19	1955		37.832	100	1860	1.6			37942	1516	1.1 <sup>a</sup>
20	1956									5777	3.2 <sup>a</sup>
21	1957		37.841	100	3175	8.7	544	1.7	35866	91.3	1983
22	1950-1954									925 <sup>b</sup>	3.2 <sup>b</sup>
23	51									1140 <sup>b</sup>	3.2 <sup>b</sup>
24	52									1100 <sup>b</sup>	2.7
25	53									1438 <sup>b</sup>	2.9
26	54									1470 <sup>b</sup>	2.9
27	1955									1470 <sup>b</sup>	2.9
28	2nd version 1950-1954	1955	50.119	100	1860	6.8	544	1.7	46730	93.2	2057
29	1950-1954		245.435	100	1261	5.1	1826	0.7		8130	3.3
30	1955		51.686	100	4281	8.3	867	1.7	47401	91.7	2127
31	1957		54.099	100	5981	11.1	1127	2.3	48118 <sup>b</sup>	2247	1767 <sup>b</sup>
32	1950-1957		351.220	100						12504 <sup>b</sup>	3.5 <sup>b</sup>
33	1950-1954		195.316	100							6073
34	1957	1957	59.509	100						31 <sup>b</sup>	4.2 <sup>b</sup>

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It is clearly visible from Table 12 on page 11 that the corrected figures representing real investment outlays for the construction industry differ from official statistics mainly in the years 1955, 1956 and 1957 when the expenditure for temporary bases (installations) was included in investments for construction industry. This is shown even more clearly in the enclosed diagram on page 13.

Diagram I shows the percentage share of investments for the construction industry in the years 1950-1957 in relation to the total investment outlays in the entire national economy according to the official statistical data from Polish Statistical Yearbooks with a small adjustment  i.e., 25X1  
the data for all years are presented in comparable zlotys or 1956 prices. This does not make any special difference because the percentage relations do not change much. One can see, that the curve rises rapidly in 1955 as if in this and next years the construction industry in Poland was unusually favored by the government and furnished with greatly increased means -- which of course was not true.

Diagram III shows the same percentage share corrected  by the 25X1  
elimination of investment outlays for so called "Temporary base" (Prowizoryczne zaplecze). This diagram shows a small increase in 1955 in relation to the average level of the Six Year Plan. Table 12 also shows that the percentage of outlays for the construction industry itself amounted in 1955 (after correction) to 3.3% and the average for preceding years 1950-1954 amounted to 3.1% (see item 8 Table 12), *the average for the entire period 1950-1955 was 3.3%* (see para 8 Table 12).

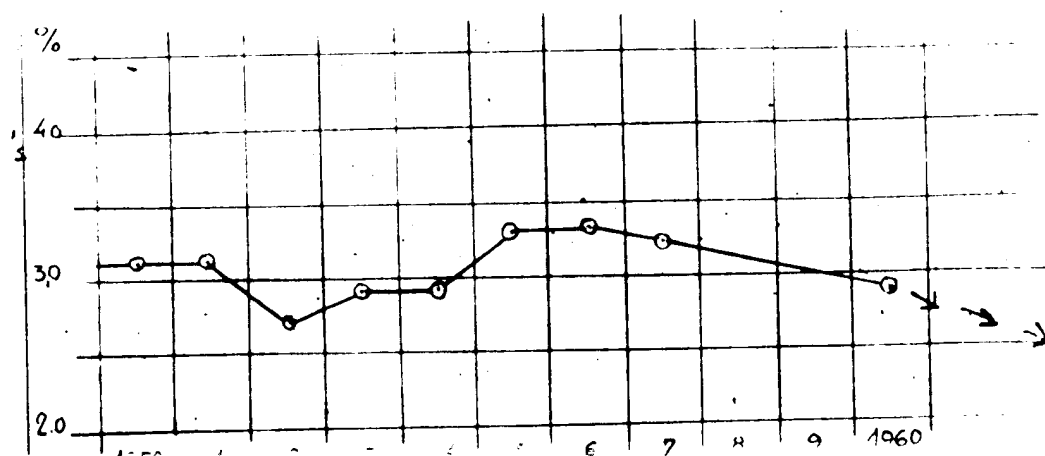
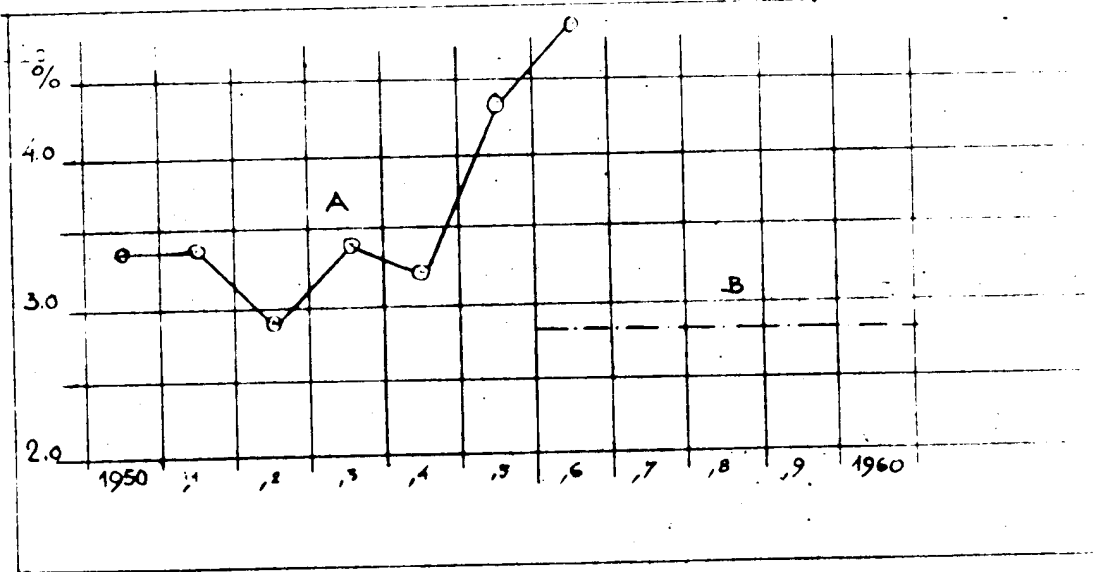
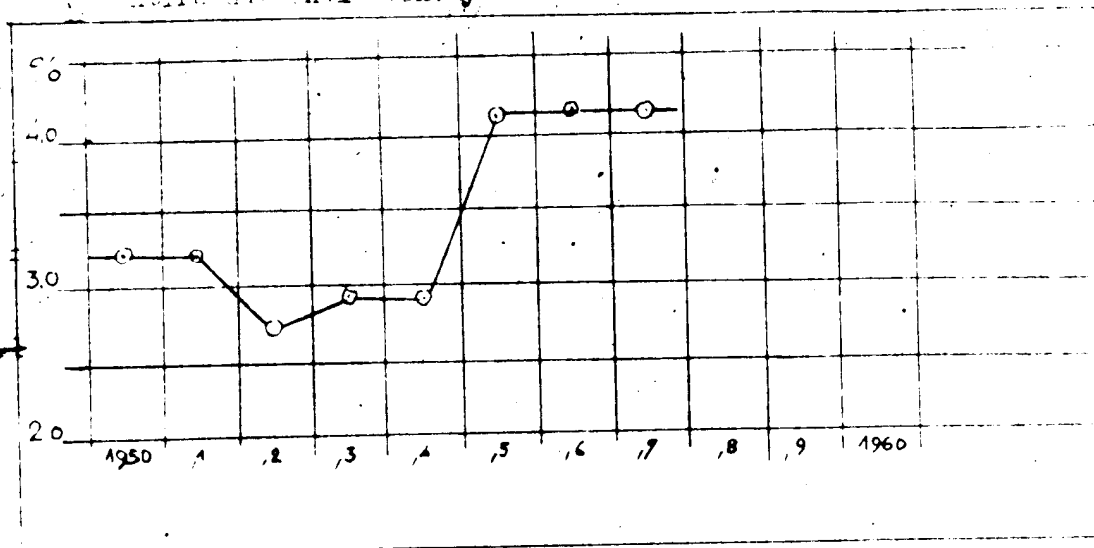
The diagram III also shows a genuine tendency towards insignificant decreases in outlays for the construction industry itself in the Five Year Plan 1956-1960 to the level of 2.9%. This tendency not to increase, but rather to condense, the investment outlays for the construction industry itself during the Five Year Plan 1956-1960 had its economic reasons:

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percentage in relation to the total live land area

live national security



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- a) In the past the construction industry used the allocated means badly. The allocated funds in the years 1950-1955 were used for the construction of some permanent but very large bases, which took several years to build, were never properly finished, and were expensive and impractical. The government wanted to force the construction industry to more economical management of its own allocated means.
- b) The assignment of equipment and machinery and the former large allocations of funds for the construction industry was not effective as far as an increase of productiveness was concerned and some members of government considered it more important to reconsider the use of the funds allocated for construction industry. Further, not the amount of allocated funds, but their better use by the construction industry was thought to be decisive at the present stage.
- c) The apparatus of the state construction-assembly enterprises, organized in the years 1950-1955, was quite sufficient and even too large in the industrial construction branch because of some reduction of investments especially for the armament industry. In addition, it was evident that for some types of construction production, e.g., for capital repairs and for municipal construction, this heavy apparatus of large state enterprises was not very useful, but even inefficient in this field, and that it was not advisable to allocate money for this kind of activity in large state enterprises.
- d) Instead the need of supporting the municipal construction enterprises on a larger scale than before was acknowledged. These enterprises do not need heavy and expensive machinery other than tower cranes. The heavy equipment was necessary for industrial construction enterprises, hydraulic - civil engineering, and for airfield construction. Municipal

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construction enterprises, received more money inspite of the fact that the total outlays for the construction industry were not increased.

e) Everybody agreed that it was more important to allocate more funds for the building materials industry than for the construction-assembly industry. Even the Minister of Construction preferred more money for the development of building materials because of the great big shortage of them, which delayed the development of the construction industry, and its production program. When in 1957 the Ministry of Construction was merged with the Ministry of Building Materials the priority of building materials in investment outlays became even more evident.

f) This does not mean that there was not a fight between the Ministry of the State Planning Commission about higher allocations of funds for the construction industry. This fight continued over two requirements. The construction enterprises demanded allocations:

(1) for prefabricated elements plants and auxiliary production of building materials, arguing that they would have to help themselves until the big building materials industry was sufficiently developed.

(2) money for the construction of housing for the construction workers, because they regarded the shortage of housing as the main cause of difficulties in the construction industry.

g) Therefore, the average percentage share of investment outlays for construction industry in the current Five Year Plan 1956-1960 between 2.9% to 3% which is a little lower than the average of the Six Year Plan 3.2% was a result of the above mentioned causes and tendencies, and was basically reasonable. The increase of outlays for the construction-assembly enterprises does not seem appropriate despite the fact that during the

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current Five Year Plan 1956-1960 there is to be a substantial increase of housing construction. It ~~would~~ be also added that a large part of this housing construction is implemented by the cooperative and private sector and only between 70-75% by the state construction enterprises. Nevertheless the official data indicate the upward trend ( a fictitious one). The diagram I which is based on official Polish data contains an erroneous increase of investment outlays for the construction industry itself in 1955 and later on maintenance of this high level of 4.1% in the years 1956 and 1957. This also gives an erroneous picture of higher average percentage share of investment outlays for the construction industry during the current Five Year Plan than the average of the Six Year Plan 1950-1955. Diagram III shows the true picture.

Diagram II shows the percentage share of investment outlays for the construction industry itself during the years 1950-1955 in relation to central investment outlays based on the article published in the Economic Bulletin for Europe November 1957 by the Research and Planning Division, of the United Nations Economic Commission for Europe under the title "The Polish economy since 1950".

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It [ ] contains a very good and thorough analysis of the Polish economy and distinguished by penetrating and correct conclusions drawn from available Polish statistical material. [ ] in Table 2 on page 24 (Table 2 centrally planned gross investment in Poland 1950-1955) the percentage share of investment outlays for the construction industry and sums allocated for this purpose in the years 1950-1955 and 1956 quoted by the authors from Polish statistics. [ ] diagram II on the basis of data contained in this Table 2. Diagram II differs from diagrams I and III in that

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the authors give the percent in relation to central investments (limitowe), but not to all investments (calkowite). As it is known the "all investments" (investycje calkowite) embrace all investments in socialized and private sectors. Besides that, the authors give sums in 1955 prices while the diagram I and III are drawn in 1956 prices, but for the percentages relation the accepted price system has slight influence.

The curve of diagram II has a similar course to that in diagram I based on official statistics and shows the same tendency of sudden increase of percentage share of investment outlays for construction industry in 1955 and even in 1956 which is based on erroneous data from statistical yearbooks. However, there where the authors start to analyze the current Five Year Plan 1956-1960 in the Table 15 on page 40, they arrive at the correct conclusion that the average outlays for the construction industry itself in the years 1956-1960 will amount to 2.8% of total investment outlays in the entire national economy, that is they approach to the real level as  shown in the diagram III. (The authors gave this figure 2.8% in the Table 15 - Planned gross fixed investment, including investment outside the state sector, 1956-1960 on page 40). The analysis of the period of the current Five Year Plan 1956-1960 and the planned investment figures given by the authors is correct and presents the real average actual status. The analysis of the past period embraced by the Six Year Plan 1950-1955 is in conformity with the official statistics. There is a jump between those two periods as shown in the diagram II, which is partly explained by the fact that the curve (A) gives the percent in relation to central investments and curve (B) in relation to all investments. The main reason of the jump is that the Polish statistical data for the years 1955, 1956 and 1957 are incorrect and misleading.

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